



DEPARTMENT OF ENERGY

Western Area Power Administration

Boulder Canyon Project – Rate Order No. WAPA-204

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of proposed Boulder Canyon Project formula rates for electric service and proposed fiscal year 2023 base charge and rates.

SUMMARY: The Desert Southwest Region (DSW) of the Western Area Power Administration (WAPA) is proposing to renew the Boulder Canyon Project (BCP) formula rates for electric service and to calculate the fiscal year (FY) 2023 base charge and rates under proposed Rate Schedule BCP-F11. The existing formula rates under Rate Schedule BCP-F10 and the current base charge and rates expire on September 30, 2022. The proposed formula rates under Rate Schedule BCP-F11 would be effective October 1, 2022 through September 30, 2027. WAPA proposes no changes to the existing formula rates, which are set forth in the governing terms of the BCP Electric Service Contract (ESC). The FY 2023 proposed base charge for BCP electric service is projected to increase from \$67.4 million in FY 2022 to \$69.9 million in FY 2023, a 3.7 percent increase. The change is primarily the result of cost increases in Bureau of Reclamation's (Reclamation) Operations and Maintenance (O&M) and visitor services expenses. Publication of this *Federal Register* notice will initiate the public process to put into place the proposed formula rates for electric service and the proposed FY 2023 base charge and rates.

DATES: A consultation and comment period begins today and will end [INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. DSW will present a detailed explanation of the proposed formula rates for electric service and the proposed FY 2023 base charge and rates at a public information forum that will be held on [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*], from 10 a.m. to 12 p.m. Mountain Standard Time. DSW will also host a public comment forum

that will be held on [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE **FEDERAL REGISTER**], from 10 a.m. to 12 p.m. Mountain Standard Time. DSW will conduct both the public information forum and the public comment forum via Webex. Instructions for participating in the forums will be posted on DSW's website at least 14 days prior to the public information and comment forums at: www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx. DSW will accept written comments any time during the consultation and comment period.

ADDRESSES: Written comments and requests to be informed of Federal Energy Regulatory Commission (FERC) actions concerning the proposed formula rates and calculated base charge and rates should be sent to: Scott R. Lund, Acting Regional Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, Arizona 85005-6457, or dswpwrmrk@wapa.gov. DSW will post information concerning the rate process and written comments received to its website at: www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx.

FOR FURTHER INFORMATION CONTACT: Tina Ramsey, Rates Manager, Desert Southwest Region, Western Area Power Administration, (602) 605-2565, or dswpwrmrk@wapa.gov.

SUPPLEMENTARY INFORMATION: Hoover Dam,¹ authorized by the Boulder Canyon Project Act of 1928, as amended (43 U.S.C. 617 *et seq.*), sits on the Colorado River along the Arizona-Nevada border. The Hoover Dam power plant has 19 generating units (two for plant use) and an installed capacity of 2,078.8 megawatts (4,800 kilowatts for plant use). In collaboration with Reclamation, WAPA markets and delivers hydropower from the Hoover Dam power plant through high-voltage transmission lines and substations to Arizona, Southern California, and Southern Nevada.

¹ Hoover Dam was known as Boulder Dam from 1933 to 1947, but was renamed Hoover Dam by an April 30, 1947, joint resolution of Congress. See Act of April 30, 1947, H.J. Res. 140, ch. 46, 61 Stat. 56-57.

On June 6, 2018, FERC approved and confirmed Rate Schedule BCP-F10, under Rate Order No. WAPA-178, on a final basis through September 30, 2022.² Rate Schedule BCP-F10 and the BCP ESC require WAPA to calculate the annual base charge and rates for the next fiscal year before October 1 of each year based on formulas that are set for a five-year period. Rate Schedule BCP-F10 expires on September 30, 2022. Consistent with the formulas set forth in the BCP ESC, WAPA is proposing to renew the formula rates for electric service under Rate Schedule BCP-F11, which would be effective October 1, 2022, through September 30, 2027. The formula rates will continue to provide sufficient revenue to recover all annual costs, including interest expense.

Pursuant to proposed Rate Schedule BCP-F11, the formula-based methodology for BCP calculates an annual base charge rather than a unit rate for Hoover Dam hydropower. The base charge recovers an annual revenue requirement that includes projected costs of investment repayment, interest, operations, maintenance, replacements, payments to States, and Hoover Dam visitor services. Non-power revenue projections such as water sales, Hoover Dam visitor revenue, ancillary services, and late fees help offset these projected costs. Hoover power customers are billed a percentage of the base charge in proportion to their power allocation. Unit rates are calculated for comparative purposes but are not used to determine the charges for service.

Comparison of Base Charge and Rates

	FY 2022	FY 2023	Amount Change	Percent Change
Base Charge (\$)	\$67,355,778	\$69,861,560	\$2,505,782	3.7
Composite Rate (mills/kWh)	20.63	22.51	1.88	9.1
Energy Rate (mills/kWh)	10.32	11.25	.93	9.0
Capacity Rate (\$/kW-Mo)	\$2.03	\$2.24	0.21	10.3

² Order Confirming and Approving Rate Schedule on a Final Basis, FERC Docket No. EF18-1-000, 163 FERC ¶ 62,154 (2018).

While the proposed formula rates are unchanged from FY 2022, the proposed FY 2023 base charge for BCP electric service is projected to increase from \$67.4 million in FY 2022 to \$69.9 million in FY 2023, a 3.7 percent increase.

Reclamation's FY 2023 budget is increasing \$3.2 million from \$81.7 million to \$84.9 million, a 3.9 percent increase from FY 2022. Reflected in this budget, operations and maintenance (O&M) costs are increasing \$3.4 million primarily due to a higher overhead rate for salaries attributed to a reorganization and increased staffing needs to improve cybersecurity; an increase in services for IT support and equipment; trash disposal contract costs; fabrication of elevator doors; ammunition for security forces; and anticipated costs for the Workman's Compensation Program. Visitor services costs are increasing by \$490,000 due to higher projected contract costs for janitorial, memorabilia, ticketing, and trash disposal services. The increase for Reclamation is offset by a \$790,000 decrease in replacement costs primarily due to Reclamation's effort to level extraordinary maintenance project expenses. This results in reduced annual costs for the control center renovation project and the replacement of the A9 wicket gates, visitors center escalator, and wastewater treatment facility.

WAPA's FY 2023 budget is decreasing \$438,000 from \$9.2 million to \$8.7 million, a 4.8 percent decrease from FY 2022. Reflected in this budget, WAPA's O&M costs are decreasing by \$842,000 due to a shift from O&M to capital work. The decreasing O&M costs are offset primarily by a \$380,000 increase in WAPA's replacement budget for breaker and relay replacements in the Mead 69-kV yard.

Costs for Reclamation and WAPA are offset by a slight increase of \$68,000 in non-power revenue projections, due to a higher estimate for ancillary services revenues. Prior year carryover is projected to be \$2.8 million, a \$186,000 increase from FY 2022.

The composite rate is increasing 9.1 percent; the energy rate is increasing 9 percent; and the capacity rate is increasing 10.3 percent from FY 2022. These unit rate calculations use forecasted energy and capacity values, which have been decreasing due to the ongoing drought

in the Lower Colorado River Basin. Forecasted energy and capacity values may be updated when determining the final base charge and rates if hydrological conditions change. With the uncertainty of hydrological conditions, Reclamation and WAPA will work with customers to develop a threshold for prompt consultation should hydrological conditions worsen after the base charge is placed into effect.

WAPA's proposed base charge and rates for FY 2023, which would be effective October 1, 2022, are preliminary and subject to change based on modifications to forecasts before publication of the final base charge and rates.

Legal Authority

Department of Energy (DOE) procedures for public participation in power and transmission rate adjustments are set forth in 10 CFR part 903. Additional requirements and procedures for promulgating the BCP base charge are set forth in 10 CFR part 904. WAPA's proposals to renew the formula rates under BCP-F11 and calculate the base charge and rates for FY 2023 constitute a major rate adjustment, as defined by 10 CFR 903.2(d). In accordance with 10 CFR 903.15, 10 CFR 903.16, and 10 CFR 904.7(e), DSW will hold public information and public comment forums for this rate adjustment. DSW will review and consider all timely public comments at the conclusion of the consultation and comment period and adjust the proposals as appropriate. The formula rates and FY 2023 base charge and rates will then be approved on a provisional basis.

WAPA is establishing rates for BCP electric service in accordance with section 302 of the DOE Organization Act (42 U.S.C. 7152). This provision transferred to, and vested in, the Secretary of Energy certain functions of the Secretary of the Interior, along with the power marketing functions of Reclamation. Those functions include actions that specifically apply to the BCP.

Pursuant to the BCP ESC, the renewed rate methodology under BCP-F11 and calculated rates for FY 2023 shall become effective, provisionally, upon approval by the Deputy Secretary of

Energy subject to final approval by FERC. Under the DOE Organization Act, the Secretary of Energy holds plenary authority over DOE affairs with respect to the Power Marketing Administrations, and the Secretary of Energy may therefore exercise the Deputy Secretary's contractual authority in this context. By Delegation Order No. S1-DEL-S4-2021-2, effective December 8, 2021, the Secretary of Energy delegated to the Under Secretary for Science (and Energy) the authority vested in the Secretary with respect to WAPA. By Redlegation Order No. S4-DEL-OE1-2021-2, also effective December 8, 2021, the Under Secretary for Science (and Energy) redelegated the same authority to the Assistant Secretary for Electricity. Based upon the governing terms of the existing BCP ESC, the Assistant Secretary for Electricity will provisionally approve the formula rates and FY 2023 base charge and rates for BCP electric service, subject to final approval by FERC.

Availability of Information

All brochures, studies, comments, letters, memorandums, or other documents that DSW initiates or uses to develop the proposed formula rates for electric service and the base charge and rates are available for inspection and copying at the Desert Southwest Customer Service Regional Office, located at 615 South 43rd Avenue, Phoenix, Arizona. Many of these documents and supporting information are also available on WAPA's website at www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx.

RATEMAKING PROCEDURE REQUIREMENTS

Environmental Compliance

WAPA has determined that this proposed action fits within the following categorical exclusions listed in appendix B to subpart D of 10 CFR 1021.410: B4.3 (Electric power marketing rate changes) and B4.4 (Power marketing services and activities). Categorically excluded projects and activities do not require preparation of either an environmental impact

statement or an environmental assessment.³ Specifically, WAPA has determined that this rulemaking is consistent with activities identified in B4, Categorical Exclusions Applicable to Specific Agency Actions (see 10 CFR part 1021, appendix B to subpart D, part B4). A copy of the categorical exclusion determination is available on WAPA's website at <https://www.wapa.gov/regions/DSW/Environment/Pages/environment.aspx>.

Determination Under Executive Order 12866

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Signing Authority

This document of the Department of Energy was signed on March 31, 2022, by Tracey A. LeBeau, Administrator, Western Area Power Administration, pursuant to delegated authority from the Secretary of Energy. That document with the original signature and date is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the *Federal Register*.

Signed in Washington, DC, on April 8, 2022.

Treena V. Garrett,

Federal Register Liaison Officer,

U.S. Department of Energy.

[FR Doc. 2022-07864 Filed: 4/12/2022 8:45 am; Publication Date: 4/13/2022]

³ The determination was done in compliance with NEPA (42 U.S.C. 4321-4347); the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021).